

United States Senate

April 4, 2019

COMMITTEES:
ARMED SERVICES
BANKING, HOUSING, AND
URBAN AFFAIRS
HEALTH, EDUCATION, LABOR
AND PENSIONS
AGING

The Honorable Charles P. Rettig
Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Dear Commissioner Rettig,

I write to you concerning recent reporting on the geographic disparities of Internal Revenue Service (IRS) audits of individual taxpayer returns. A study of recent audit rates, as reported by ProPublica^[1], revealed that taxpayers in areas of the country that are more rural and less wealthy than the national average are overwhelmingly more likely to come under IRS scrutiny than wealthy or city-dwelling taxpayers.

To concentrate so exclusively on this subset of taxpayers defies explanation. For example, in Greene County, Alabama (population, 8,330), with a median household income of less than \$21,000^[2], it appears that taxpayers are audited over 40 percent more often than the national average, including areas that are much more urban and wealthy. For comparison, Bergen County, New Jersey, with a median population of nearly 1 million residents, and a median household income of over \$90,000, finds its audit rate exactly at the national average.

This is no anomaly. The chances of an IRS audit seem to correlate nearly exactly with the taxpayer's proximity to either the rural Southeast or, in several stark cases, to Native American reservations.

According to IRS statistics, the annual "tax gap," or the gross gap between total taxes owed and total taxes paid on time was over \$450 billion^[3]. To take such a large portion of limited IRS resources and to focus them so intensely on rural communities in Alabama and the Southeast makes little fiscal sense. Moreover, the practice appears to be blatantly discriminatory.

In an effort to focus its resources and ensure fair treatment of all taxpayers, I believe the IRS should undertake a full and thorough review of the policies and practices that led to such a disparate geographic impact of its annual audits. Given the overwhelming focus on my constituents in the state of Alabama, I would request you respond to the following questions:

- Does the IRS have any official policy dictating that low-income or rural geographic areas be subjected to increased audit rates?

^[1] "Where in The U.S. Are You Most Likely to Be Audited by the IRS?", ProPublic, April 1, 2019, <https://projects.propublica.org/graphics/eitc-audit>

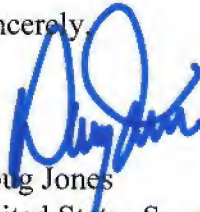
^[2] United States Census Bureau, <https://www.census.gov/quickfacts/greeneconomyalabama>

^[3] "What is the Tax Gap?", Tax Policy Center, <https://www.taxpolicycenter.org/briefing-book/what-tax-gap>

- Does the IRS, in any manner, consider the taxpayer's address in determining whether to conduct an audit?
- Has the IRS conducted a study or analysis on the fiscal impact of its current practice of geographically concentrating audits versus the fiscal impact of a system that resulted in more evenly dispersed audits?
- Similarly, has the IRS conducted a study or analysis on the fiscal impact of its current practice concentrating audits in low-income and rural communities versus the fiscal impact of a system that resulted in audits being conducted in geographic proportion to the amount of expected tax revenue?
- Has the IRS conducted a study or analysis on the impact of increasing pre-filing education or tax filing assistance in the communities currently oversampled for tax audits, and the effect this education or filing assistance may have on reducing employee hours spent on subsequent audits?

Thank you for your attention to these important questions. I look forward to your timely response.

Sincerely,



Doug Jones
United States Senator